

MANAGEMENT COMPENSATION AND BENEFITS PLAN

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SECTION 1: INTRODUCTION

This attachment constitutes the Management Compensation and Benefits Plan, which contains three parts: 1) an introduction, 2) a brief overview of how management performance will be evaluated and how compensation levels will be determined, and 3) a schedule of management benefits.

A. Definitions

1. **Management Employees** - Management employees are defined as those employees whose classifications are listed on the Management Salary Structure. Except as to those management employees subject to an applicable law, all management employees are considered “at-will” and have no property rights to their position. At will employment with the City may be terminated at any time by either party, with or without cause, for any reason or no reason whatsoever, and with or without advance notice. At will employees do not have the right to appeal.
2. **City Council Appointed Employees** - The City Manager and City Attorney are hired by and responsible directly to the City Council. The salaries for these positions shall be set by the City Council. The City Manager and City Attorney will not be subject to the provisions of the Performance Management and Compensation program as outlined in Section 2 of this attachment. The schedule of management benefits (as outlined in Section 3 of this attachment) will apply to these positions, except as otherwise provided by the City Council.

SECTION 2: PERFORMANCE MANAGEMENT AND COMPENSATION SYSTEM

The City Council has delegated its authority to the City Manager (and City Attorney, for management employees in the City Attorney’s Office)¹ to administer a Performance Management and Compensation System for management employees under the general guidelines set forth in this section. The City Manager will periodically provide the City Council with progress reports on the operation of the Performance Management and Compensation System.

I. PURPOSE:

Pay for Performance at the City of Carlsbad is based on the concept of a supervisor providing regular coaching/feedback to the employee. The purpose is to:

- create an environment that rewards high performers;
- link financial rewards to accomplishing City business objectives;
- create a consistent City-wide approach for managers to link performance and rewards; and
- create a meaningful/fair reward system.

¹ Hereafter, all references to the City Manager include, with regard to management employees in the City Attorney’s Office, the City Attorney.

II. BACKGROUND:

Consistent with the direction of the City Council, city staff have developed a compensation program that establishes competitive pay through regular and consistent compensation surveys. The Human Resources Department will maintain the highest possible number of benchmarks within the survey market and make recommendations to City Council regarding maintaining competitive salary ranges. The components of the compensation plan include:

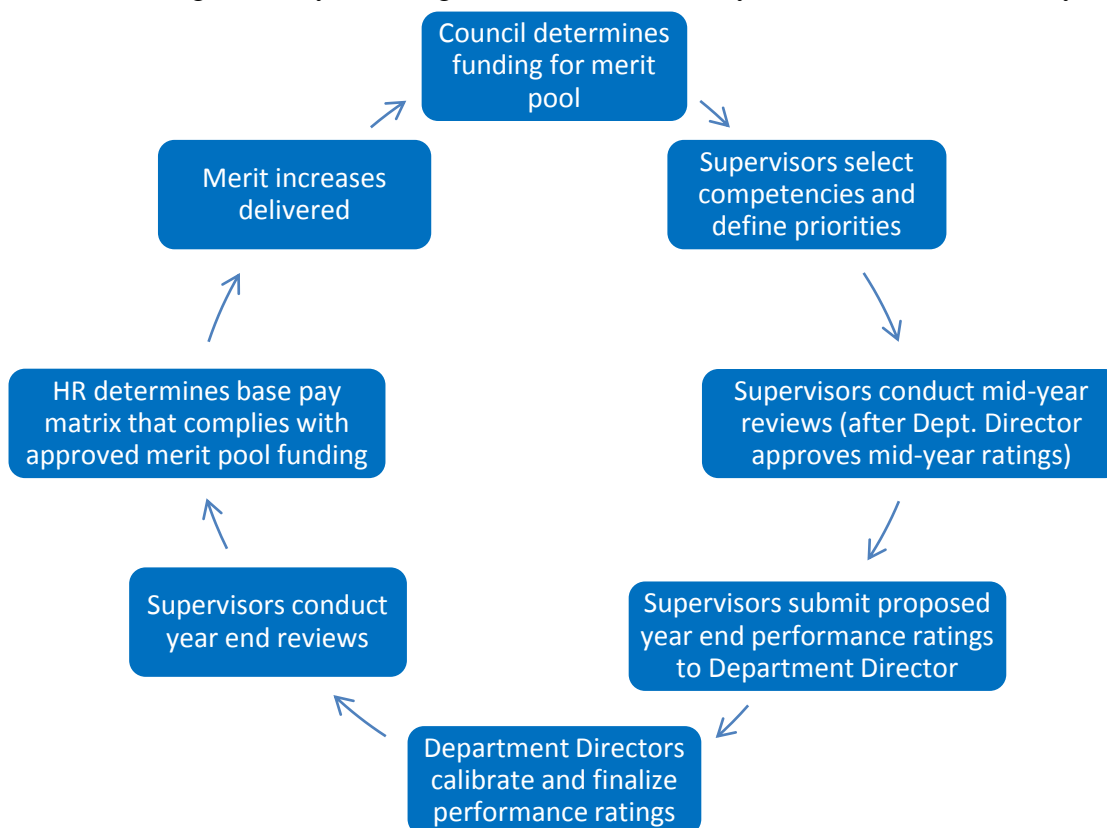
- a performance management program based on the concepts of performance planning and regular coaching/feedback;
- a market based salary structure; and
- a Pay for Performance reward system that includes merit increases* (base pay increases and/or cash rewards for employees who are at the maximum of their salary range) based on the demonstration of competencies and achievements.

* Eligibility for a merit pay increase is determined by an employee's performance and where his/her salary is relative to the midpoint of his/her salary range. Eligible employees who are at the salary range maximum receive a cash reward in lieu of a base pay increase.

III. GUIDANCE:

A. Annual Review Cycle

The Performance Management Cycle is aligned with the calendar year. Below is a summary.



B. Performance Management

The performance management process consists of four important, interrelated steps.

Step 1- Performance Planning

Supervisors and employees will have an initial discussion to determine which functional competencies will be used to evaluate the employee in the upcoming year. The supervisor explains and sets performance level expectations. The supervisor and employee will also establish specific priorities, contributions or development plans that are aligned with the departmental and organizational strategic direction.

Step 2 – Performance Coaching and Feedback

Throughout the year, at least on a quarterly basis, the supervisor and employee review and discuss the employee's work performance, including significant accomplishments and/or shortfalls. Generally, these coaching and feedback sessions will be informal and may be initiated by either the supervisor or employee. It will be the supervisor's responsibility to ensure these discussions take place and are appropriately documented.

Step 3- Mid-Year Performance Review

Prior to the mid-year review meeting with the employee, the supervisor proposes mid-year ratings for the employee based on the employee's demonstrated competencies and accomplishments related to priorities. The Department Director reviews all proposed mid-year ratings in his/her department and validates that Pay for Performance (P4P) guidelines are followed consistently within his/her department.

The goal of the mid-year performance review is to encourage open communication between supervisors and employees and ensure that there are "no surprises" during the annual performance evaluation session at the end of the year. The supervisor and employee will assess and discuss the employee's progress and the status of specific priorities. As organizational and department directions and priorities shift throughout the year, this session also provides the opportunity to re-evaluate and, if necessary, revise employee's priorities, achievement expectations or development plans. The performance evaluation form, including mid-year performance ratings, will be submitted to Human Resources and included in the employee's personnel file. The employee will be entitled to provide a written rebuttal to any rating and comments. However, only the final year end performance ratings will be used to determine eligibility for merit pay increases. The final year end performance ratings may differ from mid-year performance ratings.

Step 4- Year End Performance Review

Prior to the year-end review meeting with the employee, the supervisor proposes ratings for the employee based on the employee's demonstrated competencies and accomplishments related to priorities. The Department Director reviews all proposed ratings in his/her department and works with Human Resources staff to validate that Pay for Performance (P4P) guidelines are followed consistently within and across City departments.

Next, the supervisor meets with the employee. The employee will come to the year-end review meeting with his/her own thoughts and notes as to how well he/she performed during the evaluation period. The two-way discussion focuses on accomplishments, areas for growth and improvement, job accountabilities and defined competencies. This meeting will also include the performance planning for the upcoming year as outlined in Step 1 above.

C. Governance of the Plan

Human Resources will be responsible for the administration and maintenance of the performance management system, including forms, guidelines and related policies subject to City Council approval. Human Resources will periodically review the effectiveness of the performance management system.

D. Major Roles and Responsibilities

City Council – The City Council is initially responsible for approving the pay for performance management system and for annually approving the merit pool/funding amount in order to tie rewards to performance.

Human Resources – The role of Human Resources will be to monitor the activities of the process, ensure compliance with City processes and procedures, and ensure that the employee receives a fair, accurate, and timely evaluation. This will be done by ensuring that appropriate results-oriented goals and measures are established for the upcoming calendar year and by reviewing proposed performance and development plans and evaluation forms for accuracy and completeness.

Human Resources will track performance ratings over time to encourage accountability and ensure that there is consistency among the distribution of performance ratings across departments.

Human Resources will provide on-going guidance and training to supervisors regarding conducting performance reviews and understanding the purpose and design of the pay for performance system.

Human Resources uses data from all employee performance ratings and Council's authorized funding amount to determine the percentages in the base pay matrix. Human Resources will process merit increases for eligible employees.

Department Director – Department Directors will be responsible for reviewing performance ratings within their departments to ensure that accurate evaluation ratings are given and that supervisors are held responsible for effectively rating their staff. In the event of turnover of an employee's supervisor, the Department Director will be responsible for ensuring that an employee is equitably and adequately reviewed and rated.

Supervisor – The supervisor will carry out the steps in the performance management process in a fair, accurate, consistent, and timely manner. This includes guiding the development of performance plans, monitoring and recording employee accomplishments, providing timely coaching and feedback, conducting accurate performance evaluations, and ensuring the employee has the opportunity to participate in the process.

In the event that an employee has more than one supervisor during a rating period, each supervisor will submit an assessment and the supervisors will mutually agree on a rating for the review period.

A newly assigned supervisor will not be responsible for reviewing a rating period of less than three months.

Employee – The employee will actively contribute in the process of defining priorities and performance measures, initiating coaching and feedback sessions as needed. Requests for feedback by the employee shall be responded to within 14 calendar days of the request, although actual feedback can be written or oral and can be provided more than 14 calendar days after the request. Employees will complete a self-assessment prior to the year-end performance evaluation, and will be prepared to contribute in the mid-year and end of year performance evaluations.

E. Performance Management Components

Essential Functions

Essential functions are the job duties/tasks that an employee was hired to perform. These functions are the permanent features of the employee's job. The essential functions are outlined in the employee's job description. Essential functions are job-based rather than employee-based.

At the beginning of the performance year, the employee's job description will be reviewed by the supervisor and employee. Any significant changes in the qualifications or job tasks will be noted and submitted to Human Resources. Essential functions will determine which functional competencies may be appropriate for a specific position. At the end of the plan year, the employee will be rated on their performance related to the essential functions of the job as described in the job description.

Employees serving in out of class assignments will be reviewed in accordance with their regular position unless the employee served out of class for more than one-half of the review period. In that case, the employee will be reviewed based on their out of class assignment. If, at the outset of the out of class assignment, it is anticipated that the employee will spend more than one-half of the review period in that out of class assignment, the employee and supervisor shall have a Performance Planning Meeting as described in Step 1 above.

Core and Functional Competencies

All employees will be reviewed and evaluated based on how well they can demonstrate specific competencies. Competencies are essential to the success of each employee in their job. There are two types of competencies: 1) Core – describes the required competencies for all employees and 2) Functional - describes competencies specific to the essential functions of the job performed by the employee.

All employees will be evaluated on the five core management competencies and only two of the seven functional management competencies. Each year, during the Performance Planning step, the supervisor and the employee will talk about which functional competencies are the most appropriate to use in the upcoming year based on the employee's specific job, priorities and work plan. Each year, the supervisor and the employee will select the two functional competencies that will be used to evaluate the employee that year.

Setting Priorities

Individual priorities indicate specific results to be achieved by an employee for the coming review period. Priorities often change from year to year because they are intended to focus on a significant outcome identified by the department. The City will support the employee in their development and aim to create an environment of engagement, innovation and excellence.

Supervisors will determine three priorities for an employee and will link each priority to a core or functional competency. Priorities must be related to a significant component of the employee's job and the needs of the City and individual department or division. Supervisors will communicate orally and in writing how each priority is linked to the mission of the City/department and to the development of the employee.

Individual priority setting is to be done in light of organizational goals and departmental goals and priorities. That is, goals are to cascade down based on the City's strategic plan and initiatives from senior management, to mid-level managers, to supervisors and to line employees.

A well-written performance priority has these basic components:

- it is action oriented (e.g., includes phrases such as 'to make', 'to complete', 'to adjust');
- it includes a measurable indicator (e.g., quantity, rate, expense, quality, degree of accuracy, timeliness);
- there are constraints, such as time limitations; and
- it follows the SMART criteria (see below).

Using S.M.A.R.T. Criteria

Specific	Priorities must express the action and results required so that both the employee and supervisor can see clearly whether the priority has been achieved. What is the achievement or result that is expected?
Measurable	When setting priorities, there must be some way of measuring and verifying whether the priority has been achieved and to what level. How will the employee and supervisor know if the objective has been met?
Achievable	Although they should provide challenge and development to the individual, priorities also must be achieved. Is it reasonable that the priority be achieved?
Relevant	The priorities must be relevant to the level at which the individual is at in their career and to the workload of their particular area. Does the priority contribute to the department, division, or overall organization's success?
Time-bound	Priorities need to have clearly defined time periods. What is the completion date of each milestone?

Rating Process and Criteria

The supervisor is responsible for rating the employee on all five core competencies, the two selected functional competencies and the priorities, and for providing written narrative to explain these ratings.

The rating system shown below will be used in evaluating employee performance.

1. Unsatisfactory	2. Improvement Needed	3. Competent	4. Commendable	5. Exemplary
Performance does not meet requirements. Performance is consistently and seriously inadequate. This employee must make immediate and sustained improvements.	Performance does not consistently meet requirements. Performance deficiencies are such that improvement is needed for the employee to satisfactorily meet requirements.	Performance consistently meets all requirements. Employee is fully proficient and adequately demonstrates the desired competency behaviors for the level of the job.	Performance exceeds requirements and demonstrates the ability to handle assignments of greater complexity and responsibility. This employee shows initiative and seeks opportunities to enhance their job related skills and competencies.	Performance significantly exceeds requirements. Employee has made contributions and achievements well beyond those required by their assigned responsibilities. In many cases, performance demonstrates new areas of productivity and innovation far beyond position requirements.

Employee Comments

Employees shall be advised that they are encouraged but not required to provide comments that they would like documented for the evaluation period. Employee comments will be part of the performance evaluation documentation.

Signatures

The employee's signature acknowledges that the performance evaluation has been reviewed and discussed with them. This does not mean the employee agrees, or disagrees, with statements made or contained therein. When the evaluation session is completed, the employee and supervisor sign the form and appropriate levels of signatures are obtained:

- Immediate Supervisor
- Mid-level Manager (if applicable)
- Department Director
- Human Resources

Employee Outlets

Employees who disagree with their rating may request a meeting with their Department Director. If, after this meeting, this matter is not resolved, the employee may then request a meeting with the City Manager or his/her designee and this meeting shall occur within 30 days at the employee's request. If the employee's performance rating is changed as a result of this process, any resulting merit pay adjustment shall be paid retroactively.

F. Linking Pay and Performance

Eligibility for a merit increase is determined by an employee's overall performance rating and where his/her current salary is relative to the midpoint of their salary range.

Eligibility

Employees must receive an overall rating of "Competent" or better to be eligible for performance-based merit increases. Those employees receiving an overall "Improvement Needed" or an "Unsatisfactory" performance rating are not eligible for performance based merit increases.

An employee whose salary is at their salary range maximum is not eligible for a base pay increase. In lieu of a base pay increase, eligible employees will receive a cash reward that is paid out in a lump sum equivalent to the amount of the base pay increase that they would have received if they were not at the salary range maximum. An eligible employee whose salary is close to their salary range maximum (such that the designated pay increase would cause their salary to exceed the salary range maximum) will receive a base pay increase up to the salary range maximum and will receive the remaining portion of the designated pay increase as a lump sum cash reward as described above.

Base Pay Matrix

A base pay matrix will be used to reward performance. The City Council determines the merit pool or budget for the annual pay increase. After all of the performance reviews have been completed, merit increase percentages will be determined by Human Resources based on the size of the Council approved base pay matrix funding, distribution of all employees' performance ratings and distribution of employees in their salary range (i.e. above or below the salary range midpoint). The goal is to assign merit increase percentages that will use substantially all of the funding approved by the City Council for merit increases for that performance cycle. An employee's overall performance rating (sum of individual competency ratings) and position in the range put them in one of the cells "A," "B," "C," "D," "E," or "F" as shown in the sample Base Pay Matrix below. Each employee's merit increase is determined using the base pay matrix.

SAMPLE BASE PAY MATRIX

	Overall Performance Rating				
	1-1.4	1.5-2.4	2.5-3.4	3.5-4.4	4.5-5
Salary Range Placement	Unsatisfactory	Improvement Needed	Competent	Commendable	Exemplary
At or above salary range midpoint	0.0%	0.0%	A%	C%	E%
Below salary range midpoint	0.0%	0.0%	B%	D%	F%

The pay for performance base pay matrix for 12/31/2015 will be funded at four percent (4%).

The pay for performance base pay matrix for 12/31/2016 will be funded at four percent (4%).

The pay for performance base pay matrix for 12/31/2017 will be funded at four percent (4%).

IV. PROCEDURES:

1. All employees will be reviewed at mid-year and at the end of the calendar year. After both of these review meetings are completed, the performance evaluation form, including performance ratings, will be submitted to Human Resources and be made a part of the employee's personnel file.
2. The immediate supervisor at the time that each step in the review process is due shall complete the step in the process. If the employee has had more than one supervisor during the evaluation period, the other supervisor(s) will be consulted and only one evaluation form/overall rating will be submitted.
3. Electronic performance evaluations forms will be made available by the Human Resources Department.
4. Ratings shall be based upon the competent performance of the full range of skills indicated by the class specification covering the employee's position. In the event that the class specification is not representative of the employee's current responsibilities, Human Resources will be notified and asked to review and make recommendations. Deviations from the class specification should be noted on the performance evaluation form.
5. Human Resources will communicate the due dates associated with each step in the review process. Any overdue evaluations will be reported to the Department Director and the City Manager. Exceptions may be made for extenuating circumstances, such as employees out on leaves of absence (see section 7). The Human Resources Department will review all of the

performance ratings and calculate the base pay salary increases and/or cash rewards to be awarded for each rating level based on the base pay matrix funding established by the City Council.

6. Merit increases shall be distributed within 30 calendar days of receiving the last performance review or no later than the first full pay period in March. Merit increases will be effective retroactive to the last day of the performance review cycle.
7. Employees are eligible for a base pay salary increase or cash reward if the following requirements are met:
 - the employee receives a rating of “Competent” or higher on his/her year-end performance review;
 - the employee has been in a full time or $\frac{3}{4}$ time position for a minimum of 6 months*; and
 - the employee is active on payroll at the time that merit increases are processed in the payroll system.

*Merit increases for employees hired into a full time or $\frac{3}{4}$ time position during the review cycle will be prorated as follows:

Start Date	Prorated Merit Increase Percent
January 1– March 31	100%
April 1 - June 30	75%
July 1 – December 31	0%

8. Any employee may be advanced in the pay range during the performance review period regardless of the length of time served at the employee’s present pay rate. This advancement requires the written recommendation of the employee’s department head and approval of the City Manager.
9. Employees who were promoted during the performance cycle will receive a year end performance-related pay increase based on their salary as of the last day of the performance cycle.
10. Eligible employees who are in an out of class assignment will receive a merit increase calculated using salary information from their regular position.
11. If, as a result of a salary range adjustment, an employee’s base salary falls below the minimum of the salary range, the employee’s salary will be increased to the new range minimum as of the date City Council approves the salary range adjustment.
12. An employee who is on a leave of absence during the year-end review process will meet with his/her supervisor upon return to work and complete a year-end review. If the employee was on a leave of absence (other than a statutorily protected leave of absence) for a portion of the

review period he/she will be eligible for a prorated merit increase for that review period according to the following schedule:

Length of leave*	Percent of merit increase eligible
< 91 calendar days	100%
91 – 180 calendar days	75%
> 180 calendar days	0%

*not inclusive of statutory leave time

V. COMPENSATION PLAN:

The key element of the employee pay for performance program is the base pay structure. Covering all management jobs, the base pay structure reflects competitive pay levels for jobs assigned to each pay grade and provides the basis for equitable pay decisions.

The Management Salary Structure contains multiple salary ranges. Each salary range has a minimum, midpoint and maximum. Employees who are inexperienced or newly hired may be paid below the midpoint of the salary grade.

In keeping with the City Council's philosophy of surveying the total compensation of local agencies, the agencies listed below will be considered in the survey market for management classifications.

- City of Chula Vista
- City of Coronado
- City of Del Mar
- City of El Cajon
- City of Encinitas
- City of Escondido
- City of Imperial Beach
- City of La Mesa
- City of National City
- City of Oceanside
- City of Poway
- City of San Marcos
- City of Solana Beach
- City of San Diego
- City of Santee
- City of Vista
- County of San Diego

In addition to the agencies listed above, the following agencies will be considered in the survey market only for Utilities Director, Utilities Manager and Utilities Supervisor classifications.

- Encina Wastewater Authority
- Helix Water District
- Olivenhain Municipal Water District
- Otay Water District
- Padre Dam Municipal Water District
- Vallecitos Water District
- Vista Irrigation District

The Human Resources Department will compare salary and benefits information on each City of Carlsbad benchmark classification with appropriate classifications in the comparator group. Those classifications that are considered benchmarks are those in which there was a substantial match between the competencies and duties required for jobs at the City of Carlsbad and those for the comparator group. The job matching is conducted by the Human Resources Department. From time to time the City Council may also request that private sector salary and benefits data be reviewed and compared to benchmark positions at the City of Carlsbad.

Each City of Carlsbad job classification is assigned to a specific salary range. The non-benchmark positions are assigned to the salary structure based on internal relationships, responsibility and/or knowledge, skills and abilities of jobs. The benchmark salary data will be surveyed regularly and the benchmark comparisons will be modified when the classifications change within the organization.

Periodically the Human Resources Department will bring forth salary range movement recommendations to City Council that are based on market and economic conditions, and may include one or more salary ranges.

The City Council delegates to the City Manager the authority to assign job classifications to a specific salary grade, based on both benchmark salary information and internal relationships within the organization.

VI. TRAINING

An extensive training program will be designed to enhance the evaluation and feedback skills of supervisors. Skills training will include:

- Performance Planning - Competencies
- Conducting Performance Evaluations
- Coaching, Counseling and Feedback
- Compensation Administration
- Performance Planning - Goal Setting

The Human Resources Department will offer periodic review sessions to reinforce managerial and supervisory skills and to train employees.

VII. GLOSSARY

1. Base Pay increase – A prospective pay increase to an employee's base salary, as calculated to exclude any additional pays.

2. Base pay matrix – Matrix that determines the base pay increases and cash rewards to be given to eligible employees.
3. Cash reward – A one-time "lump sum" payment equivalent to the amount of the base pay increase that an employee would have received if he/she were not at the salary range maximum.
4. Merit increase – Either a base pay increase or cash reward as determined by the base pay matrix.
5. Survey market – List of Council approved agencies to be used when reviewing market competitiveness.

SECTION 3: SCHEDULE OF BENEFITS

Life Insurance and Voluntary Benefits

All management employees shall receive City paid life insurance in an amount equal to two times the basic yearly earnings. To determine benefits, the amount of insurance is rounded to the next higher \$1,000 multiple, unless the amount equals a \$1,000 multiple.

The City provides various voluntary benefits available at the employee's cost. Employees may select among various levels of coverage. For information regarding these benefits, contact the Human Resources Department at 760-602-2440.

Former CMWD management employees shall receive Group Term Life Insurance, Accidental Death and Dismemberment, and Dependent Life Insurance as contained in their *Individual Agreement*.

Retirement

All management employees shall participate in the California Public Employees' Retirement System (CalPERS). The specific retirement formula applied will be determined based on whether the position is deemed safety or miscellaneous. All positions not deemed eligible for safety retirement will be deemed miscellaneous under the CalPERS system. Optional benefits unique to the City of Carlsbad's contract with CalPERS are outlined in the contract between the city and CalPERS. A copy of this contract is kept on file in the Human Resources Department.

Management employees who are considered fire safety employees are eligible for the same retirement benefit formula and are subject to the same optional retirement benefits described in the City of Carlsbad CalPERS safety contract (and are the same as those provided to employees represented by the Carlsbad Firefighters' Association, Inc.). Unrepresented sworn police management employees are eligible for the same retirement benefit formula and are subject to the same optional retirement benefits described in the City of Carlsbad CalPERS safety contract (and are the same as those provided to employees represented by the Carlsbad Police Officers' Association).

A. The City has contracted with CalPERS for the following retirement benefits:

Miscellaneous "Classic" Members (those that do not qualify as "New Members" as defined below)

- a) Employees entering City of Carlsbad miscellaneous CalPERS membership for the first time prior to November 28, 2011 - The retirement formula shall be 3% @ 60; single highest year final compensation.
- b) Employees entering City of Carlsbad miscellaneous CalPERS membership for the first time on or after November 28, 2011 - The retirement formula shall be 2% @ 60; three year average final compensation.
- c) Employees entering City of Carlsbad safety CalPERS membership for the first time prior to October 4, 2010 - The retirement formula shall be 3% @ 50; single highest year final compensation.
- d) Employees entering City of Carlsbad safety CalPERS membership for the first time on or after October 4, 2010 – The retirement formula shall be 2% @ 50; three year average final compensation.

“New Members”

Employees who are “New Members” as defined by the California Public Employees’ Pension Reform Act of 2013 (PEPRA) (e.g., an employee hired on or after 1/1/2013 who has never been a CalPERS member or member of a reciprocal system or who has had a break in CalPERS service of at least 6 months or more) will be subject to all the applicable PEPRA provisions, which include but are not limited to the following retirement benefits.

- a) Miscellaneous employees - Retirement formula shall be 2% @ 62; three year average final compensation.
- b) Safety employees - Retirement formula shall be 2.7% @ 57; three year average final compensation.

B. Employee Retirement Contribution

The employee retirement contribution will be made on a pre-tax basis by implementing provisions of section 414(h)(2) of the Internal Revenue Code (IRC).

Employees shall make the following employee retirement contributions through payroll deductions:

- miscellaneous employees subject to the 3% @ 60 benefit formula shall pay all of the employee retirement contribution (8%),
- miscellaneous employees subject to the 2% @ 60 benefit formula shall pay all of the employee retirement contribution (7%),
- safety employees subject to the 3% @ 50 or 2% @ 50 benefit formulas shall pay all of the employee retirement contribution (9%), and
- miscellaneous and safety employees who meet the definition of “New Member” under PEPRA shall pay one half of the normal cost rate associated with their benefit plan.

Management Leave

Management employees are exempt from overtime requirements under the Fair Labor Standards Act. Management employees in the City are paid on a salary basis versus an hourly basis. Pursuant to FLSA regulation 29 CFR Section 541.5d, the City can make deductions from salary or leave accounts for partial day absences for personal reasons or sickness because the City has a policy and

practice of requiring its employees to be accountable to the public that they have earned their salaries. A partial day absence is an absence of less than the employee's regular work day. Pursuant to FLSA regulation 29 CFR Section 541.118 (a)(2) and (a)(3), the City may make salary or leave reductions based upon full day absences.

Partial day or full day absences shall be first charged against the exempt employee's vacation, sick, or executive leave account. In the event the exempt employee does not have sufficient time in his/her leave account to cover the absence, deductions without pay will be made on full days only.

- Vacation

Every management employee shall accrue vacation leave for each calendar year of actual continuous service dating from the commencement of said service, with such time to be accrued on a daily (calendar day) basis. Vacation leave can be used in 15 minute increments.

All management employees (except Fire Battalion Chiefs that work 112 hours per bi-weekly pay period) shall earn vacation on the following basis:

- Beginning with the first (1st) working day through the completion of five (5) full calendar years of continuous service - 13 minutes/day.
- Beginning the sixth (6th) year of employment through the completion of ten (10) full calendar years of continuous service - 20 minutes/day.
- Beginning the eleventh (11th) year of employment through the completion of eleven (11) full calendar years of continuous service - 21 minutes/day.
- Beginning the twelfth (12th) year of employment through the completion of twelve (12) full calendar years of continuous service - 22 minutes/day.
- Beginning the thirteenth (13th) year of employment through the completion of thirteen (13) full calendar years of continuous service - 24 minutes/day.
- Beginning the fourteenth (14th) year of employment through the completion of fifteen (15) full calendar years of continuous service - 25 minutes/day.
- Beginning the sixteenth (16th) year of continuous employment, vacation time shall be accrued, and remain at a rate of 26 minutes/day for every full calendar year of continuous employment thereafter.

Management employees with comparable service may be granted credit for such service for the purpose of computing vacation at the discretion of the City Manager. All management employees shall be permitted to earn and accrue up to and including three hundred and twenty (320) hours of vacation, and no employee will be allowed to earn and accrue vacation hours in excess of the three hundred and twenty (320)

hour maximum.* The City Manager shall be responsible for the granting of vacation to all management personnel, except in the case of the City Attorney's Office, where the City Attorney shall be responsible for granting vacation.

* If there are unusual circumstances that would require an employee to exceed the vacation accrual maximum, he/she must submit a request in writing to the Department Head and the City Manager or Designee. The Department Head and the City Manager or Designee may grant such a request if it is in the best interest of the City. Requests will be handled on a case-by-case basis and will be considered only in extreme circumstances.

Former CMWD management employees shall earn and accrue vacation up to and including the maximum as contained in their *Individual Agreement*.

Fire Battalion Chiefs that work 112 hours per bi-weekly pay period shall earn and accrue vacation up to and including the maximum commensurate with Carlsbad Firefighters' Association (CFA) represented employees that work 112 hours per bi-weekly pay period.

- Vacation Conversion

Each February, management employees will be allowed to voluntarily convert up to 80 hours of accrued vacation to cash, provided that they have used 80 hours of vacation during the prior calendar year. Fire Battalion Chiefs that work 112 hours per bi-weekly pay period will be allowed to voluntarily convert up to 112 hours of accrued vacation to cash, provided that they have used 112 hours of vacation during the prior calendar year.

- Executive Leave

All management personnel, except former CMWD management employees, shall receive 56 hours per fiscal year for executive leave. The 56 hours will be credited at the beginning of each fiscal year to individual leave balances. This leave must be used within the same fiscal year. The City Manager is authorized to provide ten (10) additional hours of executive leave per year to any management employee who is required to work extended hours due to emergencies such as fires, storms, floods, or other emergencies.

- Sick Leave

Sick leave can be used in 15 minute increments.

Sixteen (16) minutes of sick leave are accrued per calendar day. Accumulation is unlimited (employees cannot receive payment for unused sick leave). Fire Battalion Chiefs that work 112 hours per bi-weekly pay period shall accrue sick leave commensurate with CFA represented employees that work at 112 hours per bi-weekly pay period.

- Bereavement Leave

An employee may use up to an equivalent of three work days of paid leave if required to be absent from duty due to the death of a member of the employee's immediate family. Additional time off may be authorized by the Department Head and charged to accrued vacation or sick leave or, when no accrued leave is available, treated as leave without pay.

The "immediate family" shall be defined in the personnel rules and regulations.

The employee may be required to submit proof of relative's death before final approval of bereavement leave is granted.

- Leave of Absence

1. Leave of Absence Without Pay

- A. General Policy

Any employee may be granted a leave of absence without pay pursuant to the approval of his/her Department Head for less than two calendar weeks. If the duration of the leave of absence will be longer, the approval of the City Manager or his/her designee is required.

An employee shall utilize all his/her vacation, e-time and/or sick leave (if applicable) prior to taking an authorized leave of absence without pay.

A leave without pay may be granted for any of the following reasons:

1. Illness or disability.
 2. To take a course of study which will increase the employee's usefulness on return to his/her position in the City service.
 3. For personal reasons acceptable to the City Manager and Department Head.

- B. Authorization Procedure

Requests for leave of absence without pay shall be made in writing and shall state specifically the reason for the request, the date when the leave is desired to begin, the probable date of return, and the agreement to reimburse the City for any benefit premiums paid by the City during the leave of absence. The request shall normally be initiated by the employee, but may be initiated by his/her Department Head, and, if applicable, shall be promptly transmitted to the City Manager or his/her designee for approval. A copy of any approved

request for leave of absence without pay with a duration equal to or greater than two calendar weeks shall be delivered promptly to the Directors of Finance and Human Resources.

C. Length of Leave and Extension

A leave of absence without pay may be made for a period not to exceed six months, unless otherwise approved by the City Manager. The procedure for granting extensions shall be the same as that in granting the original leave provided that the request for extension is made no later than fourteen (14) calendar days prior to the expiration of the original leave.

D. Return From Leave

When an employee intends to return from an authorized leave of absence without pay either before or upon the expiration of such leave, he/she shall contact his/her Department Head at least fourteen (14) calendar days prior to the day he/she plans to return. The Department Head shall promptly notify the Human Resources Department of the employee's intention. The employee shall return at a rate of pay not less than the rate at the time the leave of absence began.

E. Effect of Leave Without Pay

A prorata reduction of normal annual vacation and sick leave accruals shall be applicable to an approved absence without pay. Any absence without pay constitutes a break of continuous service with the City. The granting of any leave without pay exceeding two full scheduled pay periods shall cause the employee's salary anniversary date and calculation of full-time continuous service to be extended by the number of calendar days for which such leave has been granted less the first two full pay periods of such leave.

An employee's accumulation of sick leave and vacation leave will cease after the completion of two (2) full scheduled pay periods in which the employee has not received compensation due to a leave of absence without pay. Accrual will be reinstituted beginning the first day after the employee has returned to work.

F. Leave Without Pay - Insurance Payments and Privileges

An employee on leave without pay may continue his/her City insurance benefits by reimbursing the City for the employee's costs of insurance on a monthly basis during the period of the leave. Failure to reimburse the City for such benefits during the term of a leave of

absence will result in the employee's coverage terminating on the first day following the month in which the last payment was received.

Upon the employee's return to paid status, any sums due to the City shall be repaid through payroll deductions. This applies to sums due for insurance as well as other payment plans entered into between the City and the employee (e.g., computer loan).

Upon eligibility for COBRA, the employee will be notified of the opportunity to continue benefit coverage via the COBRA process.

An employee on leave of absence without pay shall not have all of the privileges granted to regular employees (e.g., holiday pay), unless required by law.

- Pregnancy Disability Leave

Pregnancy Disability Leave shall be authorized and/or administered in accordance with the provisions of State and Federal law. An employee disabled by pregnancy shall be allowed to utilize a combination of accrued sick leave and vacation time and leave without pay to take a leave for a reasonable period of time, not to exceed four months. An employee shall utilize all accrued leave prior to taking leave without pay. Reasonable period of time means that period during which the employee is disabled on account of pregnancy, childbirth, or related conditions.

An employee who plans to take a leave pursuant to this article shall give the City reasonable notice of the date the leave shall commence and the estimated duration of the leave.

- Family and Medical Leave of Absence (FMLA)

An employee may be granted a FMLA of up to 12 weeks in a 12 month period for one or more of the following reasons:

- for the birth/placement of a child for adoption or foster care,
- to care for an immediate family member with a serious health condition, or
- to take medical leave when the employee is unable to work because of a serious condition.

FMLA may be paid or unpaid and may be granted concurrently and in conjunction with other leave and benefit provisions. Specific details regarding the provisions of this leave are available by contacting the Human Resources Department.

- Military Leave

Military leave shall be authorized in accordance with the provisions of State and Federal law. The employee must furnish satisfactory proof to his/her Department Head, as far in advance as possible, that he/she must report to military duty.

- Jury Duty

When called to jury duty, an employee shall be entitled to his/her regular compensation. Employees released early from jury duty shall report to their supervisor for assignment for the duration of the shift. Employees shall be entitled to keep mileage reimbursement paid while on jury duty.

A Department Head may, at his/her sole discretion, contact the court and request an exemption and/or postponement of jury service on behalf of an employee.

Employees released early from jury duty shall report to their supervisor for assignment for the duration of the work day. At the discretion of the supervisor, an employee may be released from reporting back to work if an unreasonable amount of the work day remains in light of travel time to the job site after release.

Health Insurance for Retirees

Effective January 1, 2001, management employees will be covered by the Public Employees' Medical and Hospital Care Act and will be eligible to participate in the California Public Employees' Retirement System (CalPERS) Health Program. Management employees who retire from the City, either service or disability, shall be eligible to continue their enrollment in the CalPERS Health Program when they retire, provided that the individual is enrolled or eligible to enroll in a CalPERS medical plan at the time of separation from employment and their effective date of retirement is within 120 days of separation. The City will contribute the minimum amount per month required under Government Code Section 22892 of the PEMHCA toward the cost of each retiree's enrollment in the CalPERS Health Program.

Employees who retire from the City, either service or disability, shall be eligible to elect, upon retirement to participate in the City's dental and/or vision insurance programs as a retiree. The cost of such dental and/or vision insurance for the retiree and eligible dependents shall be borne solely by the retiree. Effective January 1, 2016, an individual who does not choose coverage upon retirement, or who chooses coverage and later drops it is not eligible to return to the City's dental and vision insurance program.

The City will invoice the retiree for his/her monthly premiums for dental and/or vision insurance and the retiree must keep such payments current to ensure continued coverage.

Sick Leave Conversion

Any management employee who has accrued and maintains a minimum of one hundred (100) hours of sick leave shall be permitted to convert up to twelve (12) days of sick leave and uncompensated sick leave to vacation at a ratio of three (3) sick leave days per one (1) day of vacation. The sick

leave conversion option will be provided during the first week of each fiscal year. Conversion can only be made in increments of full day vacation days. Employees will not be allowed to convert sick leave to vacation if such conversion would put them over the vacation accrual maximum.

Former CMWD management employees per their *Individual Agreement*, have the option to sell back 100% of accumulated sick leave in excess of 250 hours at their current rate. The City, at its discretion, may purchase any accumulated sick leave from any of these referenced management employees at the current rate.

Separation Compensation

All management employees involuntarily separated from the City service due to budget cutbacks, layoffs, contracting out of service or for other reasons not due to misconduct which would justify involuntary separation shall receive one month's salary computed at the employee's actual salary at the time of separation.

Holidays

All management employees shall be paid holidays in accordance with the schedule of eleven (11) holidays as established by the City Council. Fire Battalion Chiefs are subject to the same holiday schedule that is outlined for management employees. However, they are compensated for holidays in the same manner as CFA represented employees that work 112 hours per bi-weekly pay period.

The scheduled paid holidays that will be official City holidays shall be as follows:

New Year's Day	Columbus Day
Martin Luther King's Birthday	Veteran's Day
Presidents' Day	Thanksgiving Day
Memorial Day	Thanksgiving Friday
Independence Day	Christmas Day
Labor Day	

Only employees who are on paid status on their last scheduled work day before a holiday shall be entitled to the paid holiday except where otherwise required by law.

Health Benefits

Management employees will participate in a flexible benefits program which includes medical insurance, dental insurance, vision insurance, flexible spending accounts (FSAs) and Accidental Death & Dismemberment insurance (AD&D). Each of these components is outlined below.

Former CMWD management employees shall receive Medical, Dental and Vision, and Retiree Medical as contained in their *Individual Agreement*.

Medical Insurance

Management employees will be covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) and will be eligible to participate in the California Public Employees' Retirement System (CalPERS) Health Program. The City will pay on behalf of all management employees and

their eligible dependents and those retirees mentioned in the section of this document titled, “Health Insurance for Retirees,” the minimum amount per month required under Government Code Section 22892 of the PEMHCA for medical insurance through the California Public Employees’ Retirement System (CalPERS). If electing to enroll for medical benefits, the employee must select one medical plan from the variety of medical plans offered.

Effective January 1, 2015, the City will contribute the following monthly amounts (called “Benefits Credits”) on behalf of each active management employee and eligible dependents toward the payment of 1) medical premiums under the CalPERS Health Program, 2) contributions in the name of the employee to the City’s flexible spending account(s), 3) dental premiums 4) vision premiums and/or 5) accidental death and dismemberment (AD&D) premiums:

- (a) For employees with “Employee” coverage, the City shall contribute five hundred forty-four (\$544) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City’s total contributions, the employee will pay the difference.
- (b) For employees with “Employee Plus One” coverage, the City shall contribute one thousand thirty-eight dollars (\$1,038) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City’s total contributions, the employee will pay the difference.
- (c) For employees with “Family” coverage, the City shall contribute one thousand three hundred sixty-three dollars (\$1,363) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City’s total contributions, the employee will pay the difference.

Effective the pay period that includes January 1, 2016 and, subsequently January 1 of each calendar year, the City monthly Benefits Credits will change for each coverage level. The monthly Benefits Credits will be set to dollar amounts that equate to 80% of the average health (medical, dental and vision) premium for Employee, Employee Plus One and Family coverage levels, rounded to the nearest whole dollar based on the premiums that will take effect on January 1 of the respective calendar year.

Unused Benefits Credits as outlined above will be paid to the employee in cash and reported as taxable income. If the amount contributed by the City (Benefits Credits) exceeds the cost of the medical insurance purchased by the employee, the employee will have the option of using any “excess credits” to purchase dental, vision, or accidental death and dismemberment (AD&D) insurance or to contribute to a healthcare or dependent care flexible spending account (FSA), instead of receiving taxable cash.

All active management employees who work three quarter-time or less will receive prorated Benefits Credits.

Dental Insurance

Management employees will be eligible to enroll in or waive enrollment in a City-sponsored dental plan at any coverage level.

Vision Insurance

Management employees will be eligible to enroll in or waive enrollment in a City-sponsored vision insurance plan at any coverage level.

Waiver Provision

Management employees who do not wish to participate in the CalPERS Health Program will have the choice of waiving the City's medical insurance program, provided they can show that they are covered under another insurance program.

Effective January 1, 2015, employees who elect this option will be given a reduced City contribution amount (Benefits Credits) of two hundred ninety-five dollars (\$295) per month, that shall include the mandatory payments to CalPERS, to be used toward the purchase of dental, vision or accidental death and dismemberment (AD&D) insurance, as a contribution to a flexible spending account or as cash (reported as taxable income). The City contribution amount of two hundred ninety-five dollars (\$295) per month will be granted to any employee who elects to waive the CalPERS Health Program, regardless of the employee's level of coverage (Employee, Employee Plus One or Family).

The dollar amount paid by the City for employees who elect the waiver provision may change in the first pay period of each subsequent calendar year. The Benefits Credits associated with waiving medical coverage will be set equal to 50% of the Benefits Credits associated with Employee medical coverage.

Unused Benefits Credits as outlined above will be paid to the employee in cash and reported as taxable income.

Annual Physical Examination and/or Physical Fitness Testing

All management employees, excluding former CMWD management employees, shall be eligible for reimbursement of up to the amount of four hundred fifty dollars (\$450) during each fiscal year to pay the cost of an employee's annual physical examination and/or physical fitness testing.

The annual physical examination may be completed by a physician of the employee's choice. Each employee claiming reimbursement shall be required to submit original receipts to the Human Resources Department in lieu of submitting them to the insurance company for payment.

The annual physical examination offered to management employees provides physical fitness testing and information regarding lifestyle changes that promote optimum health. Program components include, but are not limited to: Computerized Heart Risk Profile, Complete Blood Profile, Nutritional Assessment, Diet Program, Body Measurements, Lung Assessment, Consultations, etc.

Long-Term Disability Insurance (LTD)

Long-term disability is available for all management personnel (except management personnel who are considered fire safety employees) after 30 calendar days of disability. The LTD premium cost is paid by the City. Employees shall be entitled to combine accumulated vacation leave or e-time with LTD payments for the purpose of achieving the equivalent of their pre-disability salary to the extent

allowed by law during any period of nonindustrial disability. Accumulated sick leave may not be combined with LTD payments. Under no circumstances shall the combination of accumulated leave and LTD payments exceed the employee's pre-disability salary.

Former CMWD management employees shall receive LTD benefits as contained in their *Individual Agreement*.

Deferred Compensation

The City shall provide deferred compensation plan(s) which may be utilized by any management employee. The City reserves the right to accept or reject any particular plan and to impose specific conditions upon the use of any plan.

The City agrees to work with the City's deferred compensation provider (currently ICMA Retirement Corporation) to maintain a personal loan provision for all management employees. It is acknowledged that the City will assist in the administration of this benefit but that the City has no liability if an employee should default on the repayment of such a loan.

Former CMWD management employees may voluntarily participate in the Deferred Compensation Plan as contained in their *Individual Agreement*. The City matches former CMWD employee contributions up to a maximum of 7.5% of the employee's earnings.

Drug and Alcohol Policy

It is the policy of the City of Carlsbad to provide a work environment free from the effects of drugs and alcohol consistent with the directives of the Drug Free Workplace Act. This policy is applicable to all employees covered by the Management Compensation and Benefits Plan. A copy of this policy is available in the Human Resources Department.

As a provision of this policy, the City provides a voluntary Employee Assistance Program (EAP) to assist employees who seek help for substance abuse or other personal problems affecting work or family life. This program is available to employees and their family members and offers 24-hour access to confidential professional EAP assistance for emergency or urgent situations. For more specific information, contact the Human Resources Department or visit the City's intranet site.

Reporting the Value of Uniforms to CalPERS

Effective May 31, 2010, all fire management employees who are required to wear City-provided uniforms will have the amount of \$17.31 reported to CalPERS bi-weekly as special compensation related to the monetary value of the required uniforms, excluding boots.

Under PEPRRA, this benefit does not apply to new members.

Post-Retirement Healthcare Trust

Employees who were promoted into a management classification after May 28, 2013 from a position that was represented by CFA, Inc. will continue to contribute into the post-retirement healthcare trust established by CFA, Inc. via payroll deductions until participation by CFA, Inc., in this type of trust

is terminated. The contribution amount will be equal to the amount established for employees represented by CFA, Inc. The City has no administrative responsibilities or liabilities related to this benefit, other than processing of payroll deductions as described above. The City will not make any contributions to the post-retirement healthcare trust.

Fire Safety Management

The classifications of Fire Chief, Fire Division Chief, Fire Battalion Chief and Fire Marshal are exempt from overtime requirements under FLSA. However, Fire Battalion Chiefs are paid straight time for overtime when they are covering the duty for a Battalion Chief who is on a leave of absence and when they are directed to attend a mandatory training class associated with the rank of Battalion Chief on a non-scheduled work day.

Through the California Fire and Rescue Mutual Aid System and California Fire Assistance Agreement (CFAA), and at the request of the California Governor's Office of Emergency Services (Cal OES), California Department of Forestry and Fire Protection (CAL FIRE), Federal Fire Agencies or other fire agencies, City of Carlsbad Fire Department personnel can be assigned to locations throughout California in the event of a local, State, or Federal emergency. In the event this occurs, employees in the classification of Fire Division Chief and Fire Marshal who are assigned to the emergency location are paid straight time for overtime (portal to portal) beginning at the time of dispatch to the return to jurisdiction and employees in the classification of Fire Battalion Chief who are assigned to the emergency location are paid at a rate of 1.5 for overtime (portal to portal) beginning at the time of dispatch to the return to jurisdiction.

Special Assignment Pay

Whenever the needs of the City require an employee to temporarily perform the duties of a job classification that has a higher pay range than the pay range associated with their current job classification for a period of more than twenty-one (21) calendar days, the employee shall receive additional pay. In such cases, the employee shall be paid at an appropriate level which will assure an increase of not less than five percent (5%) greater than his/her current salary.

No employee shall be required to perform any of the duties of a higher classification unless that employee is deemed to possess the minimum qualifications of the higher classification by the Human Resources Director as recommended by the affected Department Head. Exceptions to the minimum qualifications criteria may be recommended by the affected Department Head on a case by case basis. If the employee does not meet the minimum qualifications for the higher classification he/she shall receive not less than 2.5% additional pay.

The additional pay shall commence on the first (1st) calendar day of the temporary reassignment of the performance of duties of the higher classification. The recommendation that an employee be required to perform duties of the higher classification shall be placed in writing by the affected Department Head and submitted to the Human Resources Director for approval. The employee assigned to perform the duties of a higher classification shall not serve for more than one hundred and eighty (180) calendar days in a higher classification unless approved by the City Manager or his/her designee.

A person appointed in an acting capacity shall be eligible to receive merit increases in his/her regular position during the acting appointment. The Human Resources Director shall obtain the employee's consent for the temporary performance of any of the duties of the higher classification,

prior to the employee's assuming or continuing the duties and additional compensation, which shall clearly state that it is understood that a reduction in salary shall be effected to his/her original salary rate upon the expiration of the need for the performance of the duties of the higher classification.